AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Go, Chanda Kochar! Please go

— By RN Bhaskar | May 03, 2018

THE FREE PRESS JOURNAL SINCE 1928:

Last week witnessed the first public appeal being made by mainstream media asking Chanda Kochar (currently managing director of ICICI Bank) to step down from her post.

In what was captioned "an open letter" the article stated that "ICICI deserves a statesman, not a leader in hiding." This author too agrees that she must step down immediately, but for different reasons.

Sadly, in a media interview, she refused to permit a third party enquiry. This appeared to contradict an earlier assurance to mutual funds companies a week earlier that there would be an investigation.

After all, it is not difficult in financial circles to take up a debt exposure of under 10% of a loan to a company, and then persuade another bank to become the lead manager of the debt consortium. When a blue-blooded bank throws its hat in the ring, other banks become willing to follow suit. Such a structuring is normally done by an intermediary, and there are good (though unconfirmed) reasons to believe that Rajiv Kochar (RK) and Chanda's husband Deepak Kochar (DK) played this role.

ICICI Bank and the Trinity

Was ICICI not aware that Videocon's oil was vanishing?

Year ending	Cost per tonne for ONGC (Rs)	Volume (tonnes) on assumption of ONGC	Videocon Actual Revenue from Crude (Rs Cr)
200503	3173.9	4,510,653	1,432
200603	3840.6	3,747,883	1,439
200703	5120.1	2,754,229	1,410
200803	5970.1	3,195,281	1,908
200903	2317.4	4,585,153	1,063
201003	4952.5	2,665,996	1,320
201103	5352.2	2,790,351	1,493
201203			
201303	6654.4	2,960,530	1,970
201403	7349.2	2,583,392	1,899
201503	11766	670,909	789
201603			
201703	12494	496,640	620.5

Notes: *In order to get the quantity of oil produced, we took the average realisation per tonne for ONGC, and divided the Oil Income of Videocon with this number.*

Source: *Annual reports of both Videocon and ONGC*

Note: *from top - Chanda Kochar, Deepak Kochar and Rajiv Kochar. The RBI must decide whether families of active bank managers can engage in financial business. PSB managers are not permitted this latitude.*

Therefore the defence of no major exposure and not a lead manager is quite facile. It is surprising that the ICICI board – comprising industry hardened professionals — blithely supported this **argument**.

Yet this is precisely what the ICICI Board informed the Bombay Stock Exchange on 28 March 2018: "With regard to ICICI's current exposure to Videocon, the Board also recorded that

(a) In 2012, a consortium of over 20 banks and Financial Institutions sanctioned facilities to the Videocon Group (Videocon Industries and 12 of its subsidiaries as co-obligators) for a debt consolidation programme and for the group's oil and gas capital expenditure programme aggregating approximately Rs.40,000 crore.

(b) ICICI Bank's current exposure to the Videocon group is part of this syndicated consortium arrangement.

(c) ICICI Bank was not the lead bank for this consortium and the Bank only sanctioned its share of facilities aggregating approximately Rs.3,250 crore which was less than 10% of the total consortium facility in April 2012."

Today, the loans remain unpaid. Both the banking sector and the government have thus made losses, as much of the loans amount was advanced by government owned banks (PSBs). ICICI Bank's customers too will suffer through the levy of additional charges. The only beneficiaries will remain the Kochar family, and Videocon, This is unacceptable.

What is surprising is that ICICI Bank chose not to read the warning signals. As early as March 31, 1998, an article authored by journalist Sucheta Dalal pointed out how Videocon was on the bailout list. Warning ignored.

Since 2013, Videocon has stopped publishing in its annual reports the volumes of oil it produces in India. Remember, Videocon was already a political beneficiary (in the late 1990s) of some of the most lucrative oilfields that ONGC had. Videocon's cashflow from oil was used to justify bigger loans.

Videocon was allowed to make higher profit per tonne of oil than ONGC, because the latter had to sell to OMCs (oil marketing companies) at administered prices. Did ICICI Bank ignore this change in reporting. By 2013, Videocon also stopped publishing details of its subsidiaries ("co-obligators"). There is nothing on record to show that ICICI Bank raised any cautionary flags.

By 2016, Videocon's oil production volume was just 11% of the production volume of 2005. Neither the government nor ICICI Bank asked questions. The oil fields could not have been sold because they belong to the government. But they could have been attached as loans were not being repaid. Is that being contemplated? True, value-wise the 2016 figure was still 43% of 2005 revenues. But that was because oil prices were higher than in 2005. Videocon's subsidiaries were sold off. Videocon's annual reports do not include valuation reports.

When Reliance Industries registered a fall in oil and gas production, the government slapped a hefty fine on that company. Has this been done with Videocon? Will the Kochar trinity explain this preferential treatment to Videocon?

There is no knowledge where Videocon's oil volumes from Indian oilwells have disappeared. Is the oil being sold on the black-market? Why is that many of the companies for which RK has raised money or done business, are today stressed **assets**? Is there a pattern? Was the trinity involved in defrauding both banks and the government of India?

These are very serious questions. Videocon, ICICI Bank and the government have to provide explanations. Standing in the way to these answers is Chanda Kochar as ICICI's head who dismisses the thought of a third party enquiry. She must leave for the scam to get unraveled.

The author is consulting editor with FPJ

'Govt pushing customers to go digital ... but banks not upgrading security

PTI | 30 April 2018

millenniumpost NO HALF TRUTHS

Chennai: **The All India Bank Employees' Association** has requested the RBI to come up with a mechanism to protect consumers from unauthorised transacations following the increase in use of payments through the digital mode. The AIBEA, representing public and private sector banks, has presented a memorandum to the Reserve Bank of India Governor and Finance Ministry in this regard.

In the memorandum submitted recently, AIBEA General Secretary C H Venkatachalam alleged that the Centre was pushing customers to take to digital transactions,but banks do not adopt global test practices to protect them.

"We feel that the increased use of digital payments post the demonetisation drive (by the Centre), it is necessary to have in place a mechanism or system to protect customers from unauthorised banking transactions", he said. A master circular by the apex bank on unauthorised banking transactions would have a huge impact on protecting customers from frauds, he said.

Portability of bank account numbers across banks should be introduced since the initiative in the telecom sector was successful, Venkatachalam said. "We feel effective portability of bank accounts is a good antidote to several restrictive practices followed by the banks. This has been successfully implemented in the telecom sector", he said. Stating that a RBI notification directing changes in core banking solutions in banks was leading to high costs, he said RBI must restrict changes in the circulars to keep costs in check.

Referring to the Charter of Customer Rights issued by RBI in December 2014, he said RBI has not fixed any timeframe for grievance redressal. "A Master circular by the RBI giving teeth to Charter of Customer Rights with clear provisions fixing timelines for redressal, penalty for negligent service is urgently needed", he said.

Indian workers dying on World Bank-backed tea plantations, say campaigners

REUTERS

CHENNAI, India, April 27 (Thomson Reuters Foundation) –

At least six workers have died in the last two years on Indian tea plantations that are partly financed by the World Bank, charities said on Friday in an official complaint.

Exploitation and poor working conditions persist after being exposed by a 2016 investigation by the Compliance Advisor Ombudsman (CAO), an accountability mechanism of the World Bank's International Finance Corporation (IFC), the charities said.

The IFC and Tata Global Beverages in 2009 set up Amalgamated Plantations Private Limited (APPL), which is partly owned by workers and was intended to end labour abuses on plantations previously run by Tata in the northeastern state of Assam.

"Nine years on, we hear of tea workers who have died following work-related accidents, prolonged exposure to hazardous pesticides and lack of adequate medical care," said Wilfred Topno of People's Action for Development.

After the 2016 investigation, the IFC said it was working with APPL to improve conditions. But in their complaint to the CAO, the advocacy groups said not enough has been done.

"The World Bank has utterly failed to exercise its leverage to address the CAO's damning findings," said Anirudha Nagar, of the Accountability Counsel.

In an email, Tata rejected the allegations.

"We would like to clarify that the statement regarding alleged deaths of plantations workers at APPL is incorrect," said company spokesman.

He added that APPL has been introducing measures to improve worker safety, including cutting back on pesticide use, providing protective gear and upgrading medical facilities.

The IFC also cited improvements, stating that a 2017 independent assessment report showed progress on all fronts, and said it was looking into the circumstances surrounding the deaths of workers.

"Any loss of life is tragic and our sympathies go out to those who lost beloved family members," spokesman Aaron Shane Rosenberg told the Thomson Reuters Foundation in an email.

In their complaint, the charities cited a 32-year-old worker who died after severing two fingers in a tea plucking machine and not receiving proper medical care, and a worker with tuberculosis who died while carrying pesticide cans.

"Workers are unable to afford the bare minimum necessities, let alone the cost of medical care, which is often necessary due to sub-standard care provided by APPL hospitals," said Jayshree Satpute of the non-profit Nazdeek.

Tata Global Beverages - which owns Tetley, the second-largest tea brand in the world - has a 41 percent stake in APPL and the IFC owns 20 percent, with the remainder held by workers and smaller firms.

The IFC invested $7.8 million in the $87 million project, which aimed to create more than 30,000 jobs and promote shareholder ownership by workers.

When they formed APPL in 2009, Tata and the IFC made pledges that included increasing wages, providing adequate housing and healthcare for workers, improving sanitation and lowering exposure to pesticides.

RBS to close 162 branches with loss of 800 jobs

New closures in England and Wales prompt concerns for rural communities and small firms

Royal Bank of Scotland is to close 162 branches in England and Wales this summer with the loss of nearly 800 jobs, raising fresh concerns that many rural communities will soon be left without access to a bank branch.

RBS said the job losses were the result of a deal made with the European Union last year that meant the Edinburgh-based bank would no longer be forced to sell 300 branches. Instead 60% of them will be shut down.

The EU had demanded the sale, to increase competition, as a condition of the RBS taxpayer bailout in 2009. RBS resurrected the Williams & Glyn name for the branches it put up for sale – which were RBS banks in England andWales together with NatWest branches in Scotland. However, it was unable to find a buyer.

The closures affect branches across England and Wales, from Truro to Colwyn Bay and Barrow-in Furness, with 11 in London.

The bank said 109 brancheswould close in July and August and 53 would shut in November, with 792 staff to be made redundant.

The latest closures come after years of shutting down branches, which have prompted political outcries and warnings about the end of high street banking. Only five months ago RBS announced it was closing 259 branches with the loss of 680 jobs.

After the latest round of cuts the bank will have 859 branches remaining, about 1,000 fewer than at the end of 2014. Nicky Morgan, chair of the influential Treasury committee, criticised the RBS decision, and said the government may have to intervene if closures worsened financial exclusion. RBS is still 71%-owned by taxpayers.

She said: "In recent years, retail banks have made decisions to shrink their branch network on the grounds that more people are banking online. But branches remain vital for many, particularly vulnerable people and those in rural areas.

"As a result of RBS's decision, there is a risk of increased levels of financial exclusion. It's important for the government to monitor this trend. If financial exclusion is increasing, the government may be required to intervene."

Jonathan Reynolds, Labour's shadow City minister, said: "These closures and job losses are devastating for RBS staff and the communities they serve. Concrete plans must be put in place to ensure vulnerable customers do not suffer as a result.

"Under a Labour government, there would be mandatory consultation around the closure of bank branches which includes the regulator. We cannot abandon communities by leaving them without the basic banking infrastructure they need."

The Unite union called on RBS to halt its "disastrous plans". It claimed that in 71 out of the 162 locations slated for closure, customers will be forced to make return journeys of about 25 miles.

Unite's national officer, Rob MacGregor, said: "The TSB computer systems crash last week has demonstrated without question that the banking system needs its branch network more than it ever has. Unite is calling on the Royal Bank of Scotland management not to abandon their responsibilities to communities across the country."

RBS said the majority of branches marked for closure were within 0.6 miles of another RBS or NatWest branch, pointing out that all of them were within 2.5 miles of another branch.

The bank also said the number of branch transactions in England and Wales had fallen 30% since 2014, while mobile transaction numbers had surged 74% over the same period. The number of customers using mobile banking has risen by 53%.

Last week, RBS reported first-quarter profits had more than trebled to £792m.

The bank pledged to increase telephone banking services and improve online and app messaging services. It has created a specialist taskforce to help customers learn to use the new banking technology.

The Federation of Small Businesses said the closures would deal another blow to small firms and high streets.

The FSB's national chair, Mike Cherry, said: "It's thoroughly disappointing to see RBS using the failed sale of Williams & Glyn as an excuse to further decimate the UK's bank branch network.

"This fresh round of closures will hurt high streets all over the country at a time when thousands of small firms are already struggling. When a bank branch goes it means less foot fall, less cash in the local economy and less revenue for local small firms as a result.

He added that if small firms cannot easily deposit their takings, it makes them targets for theft. "Many small business owners have built relationships with branch personnel that go back years – that's not something that can be replaced by an app."

Why is interest on loans going up when RBI has held rates?

Cost of funds for banks goes up

Apr 16 2018

Housing Development Finance Corp. Ltd, one of the largest lenders in India for housing loans, recently raised its lending rates by up to 20 basis points. In the past few months, leading banks, including State Bank of India (SBI), Punjab National Bank and ICICI Bank Ltd, also increased their marginal cost of funds-based lending rate (MCLR) by 10-20 basis points. A basis point is one-hundredth of a percentage point.

LOANS GET MORE EXPENSIVE

For new borrowers, rates of loans under MCLR will be higher

	One-year MCLR		
	Rate before change	Rate after change	New rate effective from
Axis Bank	8.30%	8.40%	17 Feb
Bank of Baroda	8.30%	8.40%	7 Apr
HDFC Bank	8.10%	8.20%	7 Feb
ICICI Bank	8.20%	8.30%	1 Mar
Indian Bank	8.25%	8.40%	9 Apr
Karnataka bank	8.75%	8.80%	1 Apr
OBC	8.35%	8.50%	12 Mar
Punjab National Bank	8.15%	8.30%	1 Mar
State Bank of India	7.95%	8.15%	1 Mar

*Oriental bank of Commerce.
MCLR: Marginal cost of funds based lending rate

Source: www.paisabazaar.com

This means that rates for all new borrowers for home, personal or car loans under MCLR would be higher than the rates prevalent a few months ago. For existing borrowers, the rates will get revised in the next reset cycle based on whether the loan is linked with 1-year or 6-month MCLR.

But why have loan rates gradually gone up, even though the Reserve Bank of India has not raised interest rates?

Loan rates go up when the cost of funds for banks goes up. Simply put, to give loans to borrowers, banks need to gather deposits from customers. The interest given out to depositors determines the cost of funds for the banks. A deposit in a bank is a borrowing for the bank as it pays interest on it.

In the past few months, larger banks like SBI have increased deposit rates, for bulk as well as retail depositors. The rise in cost of funds gets translated into rise in interest rates.

Moreover, stress in the banking sector in the form of non-performing assets (NPAs) too has had an impact, even if an indirect one. An NPA is a loan (an asset) that stops generating income. Banks have to make provisions for the losses likely to arise out of NPAs. This impacts their profit, and to prevent losses, banks keep interest rates on loans at a higher level.

AIBEA THIS DAY MAY 4	
1993	AIBEA Study Delegation (Com. Krishnalal, C H Venkatachalam, L K Nagda, and GG Krishna Murthy) to Malaysia to discuss banking trade union experiences with National Union of Bank Employees (NUBE).

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